

ATTACHMENT 7

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION

In re:) Chapter 11
UAL CORPORATION, et al.,) Case No. 02-B-48191
Debtors.) Jointly Administered
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Thursday, May 5, 2005
9:42 a.m.

Deposition of MICHAEL A. KRAMER,
held at the offices of Sonnenschein, Nath
& Rosenthal, LLP, 1221 Avenue of the
Americas, New York, New York 10020,
pursuant to Notice, before Otis Davis, a
Notary Public of the State of New York.



David Feldman
Worldwide

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| <p>1 2 APPEARANCES: 3 KIRKLAND & ELLIS, LLP 4 Counsel for Debtors 5 200 East Randolph Drive 6 Chicago, Illinois 60601 7 BY: ANDREW A. KASSOF, ESQ. 8 9 SONNENSCHN, NATH & ROSENTHAL, LLP 10 Counsel for The Committee of Unsecured 11 Creditors 12 8000 Sears Tower 13 233 South Wacker Drive 14 Chicago, Illinois 60606 15 BY: MARK A. FLESSNER, ESQ. 16 AND: PIA N. THOMPSON, ESQ. 17 AND: LESLIE A. KLEIN, ESQ. 18 19 LOWENSTEIN SANDLER, P.C. 20 Counsel for IAM 21 65 Livingston Avenue 22 Roseland, New Jersey 07068 23 BY: M. KAITLIN CARROLL, ESQ. 24 25</p> | <p>2 4 1 2 3 4 5 IT IS HEREBY STIPULATED AND AGREED, 6 by and among counsel for the respective 7 parties hereto, that the filing, sealing 8 and certification of the within deposition 9 shall be and the same are hereby waived. 10 IT IS FURTHER STIPULATED AND AGREED 11 that all objections, except as to the form 12 of the question, shall be reserved to the 13 time of the trial. 14 IT IS FURTHER STIPULATED AND AGREED 15 that the within deposition may be signed 16 before any Notary Public with the same 17 force and effect as if signed and sworn to 18 before the Court. 19 20 21 22 23 24 25</p> |
| <p>3 1 2 APPEARANCES: (Cont'd) 3 PENSION BENEFIT GUARANTY CORPORATION 4 OFFICE OF THE GENERAL COUNSEL 5 Counsel for PBGC 6 1200 K Street, N.W., Suite 340 7 Washington, D.C. 20005 8 BY: CHARLES L. FINKE, ESQ. 9 AND: JEFFREY B. COHEN, ESQ. 10 11 COHEN, WEISS AND SIMON, LLP 12 Counsel for Airline Pilots Association 13 330 West 42nd Street 14 New York, New York 10036 15 BY: PETER HERMAN, ESQ. 16 17 GUERRIERI, EDMOND, CLAYMAN & BARTOS, P.C. 18 Counsel for Association of Flight Attendants 19 1625 Massachusetts Avenue, N.W., Suite 700 20 Washington, D.C. 20036 21 BY: MATTHEW E. BABCOCK, ESQ. 22 23 24 ALSO PRESENT: 25 ROBERT E. DAMSTRA, Rothschild</p> | <p>5 1 2 MICHAEL A. KRAMER, called 3 as a witness, having been duly sworn by a 4 Notary Public, was examined and testified 5 as follows: 6 EXAMINATION BY 7 MR. FLESSNER: 8 Q. You are Michael Kramer? 9 A. Yes. 10 Q. How are you employed? 11 A. I am a managing director at Greenhill 12 & Company. 13 Q. How long have you been there? 14 A. Since 2001, January 2001. 15 Q. Mr. Kramer, in your declaration, you 16 had indicated you had been deposed before; is 17 that correct? 18 A. Yes. 19 Q. So you understand the give-and-take 20 of depositions, don't interrupt me, I won't 21 interrupt you. If you don't understand my 22 question, ask me to rephrase it. I'll be glad 23 to do so. Okay? Do you understand that? 24 A. Yes. 25 Q. You have to speak to the court</p> |

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| <p style="text-align: right;">122</p> <p>1 M. Kramer</p> <p>2 opinion of whether G-5 needs to be updated,</p> <p>3 correct?</p> <p>4 A. Correct.</p> <p>5 Q. Based on all the information that you</p> <p>6 have received from the company in the last four</p> <p>7 or five months, does that indicate to you that</p> <p>8 the G-5 is outdated?</p> <p>9 A. No.</p> <p>10 Q. So based on the information you have</p> <p>11 received from the company, the financial</p> <p>12 information you have received from the company</p> <p>13 since December of '04, it's your opinion that</p> <p>14 G-5 is current and up to date?</p> <p>15 A. I don't have an opinion either way.</p> <p>16 I haven't looked at it closely enough and with</p> <p>17 the mind-set of should this or shouldn't it be</p> <p>18 updated.</p> <p>19 Q. Do you know anyone who has an opinion</p> <p>20 on that?</p> <p>21 A. I do not.</p> <p>22 MR. FLESSNER: Mr. Babcock.</p> <p>23 EXAMINATION BY</p> <p>24 MR. BABCOCK:</p> <p>25 Q. Mr. Kramer, my name is Matthew</p> | <p style="text-align: right;">124</p> <p>1 M. Kramer</p> <p>2 it?</p> <p>3 A. Yes.</p> <p>4 Q. And why is that?</p> <p>5 A. Because that's my opinion.</p> <p>6 Q. So if I was to simply ask you your</p> <p>7 opinion, is it salvageable, you can't say yes or</p> <p>8 no?</p> <p>9 A. Correct.</p> <p>10 Q. And if I were to ask essentially the</p> <p>11 same question but phrase it this way, would it</p> <p>12 be possible for United to reorganize</p> <p>13 successfully and maintain the flight attendant</p> <p>14 plan in early January of 2005, what would your</p> <p>15 answer be?</p> <p>16 A. If the test was as outlined in my</p> <p>17 affidavit and that was the only issue</p> <p>18 outstanding, I think leaving that plan in place</p> <p>19 would have satisfied those requirements.</p> <p>20 Q. Are there other tests that could be</p> <p>21 applied to determine whether the plan is</p> <p>22 salvageable?</p> <p>23 A. I think there probably is, yes.</p> <p>24 Q. The test that you were applying,</p> <p>25 United's test, is that sort of the -- did that</p> |
| <p style="text-align: right;">123</p> <p>1 M. Kramer</p> <p>2 Babcock. I represent the Association of Flight</p> <p>3 Attendants, Communication Workers of America,</p> <p>4 American Federation of Labor, Congress of</p> <p>5 Industrial Organizations, also known as AFA. I</p> <p>6 have a few questions to ask you today, and I</p> <p>7 apologize in advance. I think some of this</p> <p>8 ground we've already plowed, but be that as it</p> <p>9 may.</p> <p>10 Is it your expert opinion, or was</p> <p>11 it your expert opinion in early January of</p> <p>12 2005, that the flight attendant plan was</p> <p>13 salvageable?</p> <p>14 A. It was my opinion, based upon the</p> <p>15 report that we put forth, that if the test to</p> <p>16 keep a plan or not keep a plan was the credit</p> <p>17 ratios that the company put forth as garnered</p> <p>18 from the proposed exit lenders, with certain</p> <p>19 modifications that keeping that plan would meet</p> <p>20 those -- would and could meet those credit</p> <p>21 ratios.</p> <p>22 Q. Is it impossible to answer the</p> <p>23 question, just sort of the direct question</p> <p>24 directly? I mean is it necessary to qualify</p> <p>25 your answer in the way you have qualified</p> | <p style="text-align: right;">125</p> <p>1 M. Kramer</p> <p>2 make sense to you as a test to determine whether</p> <p>3 the plan was salvageable?</p> <p>4 A. I think it was clearly one approach</p> <p>5 to look at it. I think the big issue that we</p> <p>6 had with it at that point in time was that it</p> <p>7 lumped all the different -- all of the pension</p> <p>8 plans together, and it said you either had to</p> <p>9 terminate them all or none of them. And what my</p> <p>10 report or declaration did was sort of take it</p> <p>11 down to say maybe you don't have to. Maybe</p> <p>12 you can apply the test on a more incremental</p> <p>13 basis.</p> <p>14 MR. FLESSNER: Can we take a break?</p> <p>15 The Court is going to call in.</p> <p>16 MS. WOLF: Hi, this is Barbara Wolf</p> <p>17 from Judge Wedoff's chambers. Are you able</p> <p>18 to hear me? Is everybody able to hear me?</p> <p>19 MR. FLESSNER: Yes. We're in a</p> <p>20 conference room, and actually, the court</p> <p>21 reporter is still here, and he'll go ahead</p> <p>22 and record it, but we are able to hear you.</p> <p>23 MS. WOLF: Okay. I am going to</p> <p>24 hopefully be able to transfer to Judge</p> <p>25 Wedoff right now.</p> |

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| <p style="text-align: right;">126</p> <p>1 M. Kramer</p> <p>2 Judge Wedoff, you've got the</p> <p>3 deposition on the line.</p> <p>4 THE COURT: (Via Telephone) Okay.</p> <p>5 You can hang up.</p> <p>6 MS. WOLF: Okay.</p> <p>7 THE COURT: Hello.</p> <p>8 MR. FLESSNER: Hi, Judge Wedoff.</p> <p>9 This is Mark Flessner from Sonnenschein,</p> <p>10 Nath & Rosenthal. We are here taking a</p> <p>11 deposition. I am going to have everybody</p> <p>12 identify themselves, because there is a</p> <p>13 cast of thousands in here.</p> <p>14 We are taking the deposition of</p> <p>15 Michael Kramer from Greenhill, who is an</p> <p>16 advisor to the PBGC, and some questions</p> <p>17 have come up which we would like to -- I</p> <p>18 would like to have you address. But first,</p> <p>19 I think it would be better to have</p> <p>20 everybody identify themselves. We also</p> <p>21 have a court reporter here in the</p> <p>22 deposition, who is recording the</p> <p>23 conversations.</p> <p>24 THE COURT: All right.</p> <p>25 MR. KASSOF: Good afternoon, your</p> | <p style="text-align: right;">128</p> <p>1 M. Kramer</p> <p>2 are subject to specific regulatory laws</p> <p>3 about whether or not it could be inquired</p> <p>4 as to the negotiations of those contracts.</p> <p>5 Today, and yesterday in fact, we've</p> <p>6 asked witnesses questions regarding the</p> <p>7 motivations behind the agreement, the</p> <p>8 settlement agreement, the PBGC settlement</p> <p>9 agreement. And specifically, what I've</p> <p>10 talked to Mr. Kramer about today was there</p> <p>11 is this -- I don't know how familiar you</p> <p>12 are -- but there's this 45 percent "slush</p> <p>13 fund" that the PBGC has given to debtors,</p> <p>14 and we find it problematic that they are</p> <p>15 going to treat creditors disproportionately</p> <p>16 and not disclose who that money is going</p> <p>17 to.</p> <p>18 We've asked Mr. Kramer to tell us</p> <p>19 who -- excuse me, I'm just looking at my</p> <p>20 notes here. I was doing two things before</p> <p>21 you called -- who insisted on the</p> <p>22 provision, what was the purpose of the</p> <p>23 provision, why it was insisted upon, the</p> <p>24 goals it's meant to achieve, and it has</p> <p>25 been instructed -- he has been instructed</p> |
| <p style="text-align: right;">127</p> <p>1 M. Kramer</p> <p>2 Honor. Andrew Kassof on behalf of the</p> <p>3 debtors.</p> <p>4 MS. CARROLL: Good afternoon, your</p> <p>5 Honor. Kaitlin Carroll on behalf of IAM.</p> <p>6 MR. HERMAN: Peter Herman, from the</p> <p>7 firm of Cohen, Weiss And Simon for the</p> <p>8 Airline Pilots Association.</p> <p>9 MR. FINKE: Charles Finke for the</p> <p>10 Pension Benefit Guaranty Corporation.</p> <p>11 MR. COHEN: Jeffrey Cohen for PBGC.</p> <p>12 MR. KRAMER: Michael Kramer from</p> <p>13 Greenhill on behalf of PBGC.</p> <p>14 MR. BABCOCK: Matthew Babcock, your</p> <p>15 Honor, for the AFA.</p> <p>16 MS. THOMPSON: Pia Thompson from</p> <p>17 Sonnenschein, Nath & Rosenthal on behalf of</p> <p>18 the committee.</p> <p>19 MR. KLEIN: Les Klein from</p> <p>20 Sonnenschein on behalf of the committee.</p> <p>21 MR. FLESSNER: Your Honor, the issue</p> <p>22 is as follows: There has been, I think,</p> <p>23 discussion in the Court. In other words,</p> <p>24 the Court gave us a ruling with respect to</p> <p>25 negotiations of the labor contracts, which</p> | <p style="text-align: right;">129</p> <p>1 M. Kramer</p> <p>2 by counsel not to answer those issues,</p> <p>3 claiming -- Mr. Kassof and Mr. Finke both</p> <p>4 claim that you have ruled that all these</p> <p>5 issues, issues surrounding anything which</p> <p>6 they identify as negotiations, are not</p> <p>7 subject to disclosure.</p> <p>8 It's the committee's position that</p> <p>9 these are -- first of all, we think that</p> <p>10 that is not a precise ruling under Rule</p> <p>11 408, because 408 would allow such inquiry.</p> <p>12 But be that as it may, it is the</p> <p>13 committee's position that this would go to</p> <p>14 an improper -- but demonstrating improper</p> <p>15 motivations of the debtor, and it shows</p> <p>16 that what the debtor is doing here is</p> <p>17 abusing the Bankruptcy Code.</p> <p>18 So my point is that we want to</p> <p>19 inquire -- even if we disagree with the</p> <p>20 ruling with respect to negotiations, this</p> <p>21 is not specifically with respect to</p> <p>22 negotiations because it has to do with the</p> <p>23 agreement. What is the motive behind the</p> <p>24 agreement? Why this was agreed to? What</p> <p>25 it attempts to address, and what goals it</p> |

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| <p style="text-align: right;">130</p> <p>1 M. Kramer</p> <p>2 achieves. We've been prevented from</p> <p>3 inquiring into that.</p> <p>4 MR. KASSOF: Your Honor, Andrew</p> <p>5 Kassof on behalf of the debtors. If I can</p> <p>6 just respond?</p> <p>7 I just first want to -- I am not</p> <p>8 going to belabor the "slush fund" comment</p> <p>9 or some of the other comments. I think</p> <p>10 those are better left for other purposes.</p> <p>11 Just to state on the record, we disagree</p> <p>12 with that characterization.</p> <p>13 Getting to the merits of the point,</p> <p>14 as your Honor knows, in two separate</p> <p>15 contexts previously, one in the 1114</p> <p>16 context, you ruled that the negotiations</p> <p>17 that led to the final agreement and that</p> <p>18 was in the context of the AMPA agreement,</p> <p>19 as you called it, were not discoverable,</p> <p>20 and that they were irrelevant for the</p> <p>21 purposes of something that could possibly</p> <p>22 lead to the discovery of admissible</p> <p>23 evidence.</p> <p>24 We had a very similar issue arise in</p> <p>25 the last round of 1113 with the Retired</p> | <p style="text-align: right;">132</p> <p>1 M. Kramer</p> <p>2 was of this 45 percent provision in his</p> <p>3 estimation, and the answer was: "I think</p> <p>4 the purpose of the reduction or the</p> <p>5 assignment was to actually create a</p> <p>6 scenario where there was something, and he</p> <p>7 was not -- by the way, he was not</p> <p>8 instructed not to answer -- was to create a</p> <p>9 scenario where there was something else for</p> <p>10 other -- something for other people, "other</p> <p>11 people" meaning other creditors, to benefit</p> <p>12 from in this agreement.</p> <p>13 "So either it could be used as a</p> <p>14 reduction of the overall claim pool, or it</p> <p>15 could be used as what I'll call sort of</p> <p>16 anti-dilution to the claim pool if it was</p> <p>17 given out to someone else."</p> <p>18 He is permitted to answer that</p> <p>19 question. We've only instructed not to</p> <p>20 answer or objected not to answer on the</p> <p>21 back-and-forth give-and-take of the</p> <p>22 negotiations on the basis of your prior</p> <p>23 rulings, not with respect to the purpose of</p> <p>24 overall provisions, the goals of the</p> <p>25 provisions, the objectives of the</p> |
| <p style="text-align: right;">131</p> <p>1 M. Kramer</p> <p>2 Pilots. Your Honor denied a motion by the</p> <p>3 Retired Pilots to get into the</p> <p>4 back-and-forth negotiations between United</p> <p>5 and the Airline Pilots Association</p> <p>6 agreement on the same grounds.</p> <p>7 Where we are here today and where we</p> <p>8 were yesterday is we have objected</p> <p>9 specifically to the back-and-forth</p> <p>10 negotiations, what was discussed, what was</p> <p>11 the exchange, and the give-and-take as it</p> <p>12 relates to how the agreement was arrived</p> <p>13 at.</p> <p>14 What Mr. Flessner described in part</p> <p>15 as to what we have instructed is just not</p> <p>16 true, and the portion of the transcript</p> <p>17 that has been relied upon for purposes of</p> <p>18 this hearing proves that.</p> <p>19 One comment Mr. Flessner said is we</p> <p>20 have instructed not to answer questions as</p> <p>21 to what the purpose of a particular</p> <p>22 provision was, or what the goal was, what</p> <p>23 the objective was.</p> <p>24 Mr. Flessner asked the witness,</p> <p>25 Mr. Kramer, specifically what the purpose</p> | <p style="text-align: right;">133</p> <p>1 M. Kramer</p> <p>2 provisions. We have objected to the</p> <p>3 question of who in who asked for something</p> <p>4 or why something was asked for, and that</p> <p>5 sort of thing based on your prior rulings.</p> <p>6 MR. FLESSNER: Your Honor, Mr. Kassof</p> <p>7 doesn't completely disclose the record,</p> <p>8 because that question on page 5 was</p> <p>9 answered, subject to the objection made by</p> <p>10 Mr. Finke. Just prior to that:</p> <p>11 "Objection. I instruct him not to answer</p> <p>12 if it's going to involve back-and-forth</p> <p>13 negotiations."</p> <p>14 So the entire context of these</p> <p>15 answers to who, what, where, why, the</p> <p>16 purpose, the goal, everything that is meant</p> <p>17 to be achieved by this provision has been</p> <p>18 answered in a very limited and restricted</p> <p>19 fashion, subject to that it doesn't have</p> <p>20 anything to do with discussions during the</p> <p>21 negotiation. And that simply is</p> <p>22 inconsistent with our needs to find out who</p> <p>23 did this, why they did it, and what the</p> <p>24 purpose of the provision is.</p> <p>25 THE COURT: I think the objection is</p> |

34 (Pages 130 to 133)

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| <p style="text-align: right;">134</p> <p>1 M. Kramer</p> <p>2 appropriate. The roads that you are</p> <p>3 seeking to travel require almost any</p> <p>4 challenged agreement that a debtor reached</p> <p>5 in the context of a bankruptcy to be</p> <p>6 completely disclosed in terms of its</p> <p>7 negotiation in the course of discovery of a</p> <p>8 question of the challenge to that</p> <p>9 agreement. I think that would have an</p> <p>10 enormously chilling effect on agreements</p> <p>11 being reached in bankruptcy.</p> <p>12 I don't think that whatever can be</p> <p>13 gleaned from that kind of questioning would</p> <p>14 be commensurate to the burden and the</p> <p>15 negative impact on bankruptcy</p> <p>16 administration.</p> <p>17 I, frankly, don't think that a great</p> <p>18 deal of useful information would be</p> <p>19 obtained by engaging in that questioning.</p> <p>20 I will sustain the objection.</p> <p>21 MR. FLESSNER: Okay, your Honor.</p> <p>22 MR. KASSOF: Thank you.</p> <p>23 THE COURT: Thank you.</p> <p>24 BY MR. BABCOCK:</p> <p>25 Q. Mr. Kramer, before we broke, I</p> | <p style="text-align: right;">136</p> <p>1 M. Kramer</p> <p>2 terminate them all or none of them. And</p> <p>3 what my report or declaration did was take</p> <p>4 it down to say maybe you don't have to,</p> <p>5 maybe you can apply the test on a more</p> <p>6 incremental basis."</p> <p>7 Q. I'm sorry, "issue." Why was that an</p> <p>8 issue?</p> <p>9 A. I think we identified that as an</p> <p>10 issue because my understanding was you do not</p> <p>11 have to terminate all of the pension plans or</p> <p>12 none. You have to look at each of the pension</p> <p>13 plans individually, and the company's analysis</p> <p>14 that we saw did not do that. It, again, lumped</p> <p>15 them all together.</p> <p>16 Q. Do you have an opinion as to whether</p> <p>17 it is more or less appropriate to analyze the</p> <p>18 plans individually versus analyzing them lumped</p> <p>19 together?</p> <p>20 A. I think that's more of a legal issue.</p> <p>21 I would rely on lawyers to tell me what the</p> <p>22 right standard to that would be. So, no.</p> <p>23 Q. In early January of 2005, was it your</p> <p>24 opinion or belief that the company, United, was</p> <p>25 exploring all alternatives to pension</p> |
| <p style="text-align: right;">135</p> <p>1 M. Kramer</p> <p>2 believe your testimony was that, I believe that</p> <p>3 was your word, the only problem we had with -- I</p> <p>4 forget what the end of the sentence was, but you</p> <p>5 described as a problem the fact that the company</p> <p>6 was not analyzing the impact of keeping or</p> <p>7 terminating the pensions on a plan-by-plan</p> <p>8 basis, but was insisting on running the analysis</p> <p>9 only in terms of all of the plans; is that</p> <p>10 correct?</p> <p>11 MR. KASSOF: Objection, misstates the</p> <p>12 testimony.</p> <p>13 MR. BABCOCK: Can we read it back?</p> <p>14 (Record read.)</p> <p>15 THE COURT REPORTER: "QUESTION: The</p> <p>16 test that you were applying, United's test,</p> <p>17 is that sort of the -- did that make sense</p> <p>18 to you as a test to determine whether the</p> <p>19 plan was salvageable?</p> <p>20 "ANSWER: I think it was clearly one</p> <p>21 approach to look at it. I think the big</p> <p>22 issue that we had with it at that point in</p> <p>23 time was that it lumped all the</p> <p>24 different -- all of the pension plans</p> <p>25 together and it said you either had to</p> | <p style="text-align: right;">137</p> <p>1 M. Kramer</p> <p>2 termination?</p> <p>3 MR. KASSOF: Objection, foundation.</p> <p>4 A. Was it my opinion that they were</p> <p>5 exploring all options?</p> <p>6 Q. In your opinion.</p> <p>7 MR. KASSOF: Same objection.</p> <p>8 A. I don't know that I have a formal</p> <p>9 opinion on that. They clearly stated that they</p> <p>10 were looking at that.</p> <p>11 Q. But in your opinion, did you believe</p> <p>12 that they had exhausted all alternatives, and</p> <p>13 specifically to terminating the flight attendant</p> <p>14 plan?</p> <p>15 MR. KASSOF: Same foundation</p> <p>16 objection.</p> <p>17 A. I don't know that I had an opinion</p> <p>18 one way or the other on that.</p> <p>19 Q. Moving to early April of 2005, was it</p> <p>20 your opinion in early April of 2005, that the</p> <p>21 flight attendant plan was salvageable?</p> <p>22 MR. KASSOF: Object to the form.</p> <p>23 A. I didn't have an opinion.</p> <p>24 Q. You didn't have an opinion in</p> <p>25 April --</p> |

35 (Pages 134 to 137)